

## Message Text

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ACTION ICAE-00

INFO OCT-01 NEA-11 ISO-00 PA-01 CIAE-00 INR-10 NSAE-00  
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FM AMCONSUL DHAHRAN  
TO SECSTATE WASHDC 6216  
AMEMBASSY JIDDA  
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FOR CU/PC

E.O. 11652: N/A  
TAGS: EINV, SGN, SOPN, SA  
SUBJECT: EXAMPLES OF GOOD CORPORATE CITIZENSHIP

REF: STATE 51579 REPEATED DHAHRAN FROM JIDDA

1. SUMMARY: ALTHOUGH THERE ARE NUMBER OF EXAMPLES OF GOOD CORPORATE CITIZENSHIP AMONG U.S. MNC'S IN EASTERN PROVINCE OF SAUDI ARABIA, MOST DISTINGUISHED RECORD OF SUCH BEHAVIOR SET BY ARABIAN AMERICAN OIL COMPANY (ARAMCO) SINCE ITS ESTABLISHMENT HERE IN 1933. WHEREAS OTHER U.S. COMPANIES HAVE ASSISTED IN TECHNOLOGY TRANSFER, PROVIDED TRAINING FACILITIES, CONTRIBUTED TO SCHOOLS AND/OR PROVIDED JOB OPPORTUNITIES, ARAMCO DID ALL THESE THINGS AND MUCH MORE. RESULTS OF ARAMCO'S EXCELLENT CORPORATE BEHAVIOR INCLUDE HIGH REGARD FOR COMPANY BY SAG, BUT MORE IMPORTANTLY GREAT ESTEEM FOR AMERICAN TECHNOLOGY AND PROUDCTS BY ALL LEVELS OF SAUDI SOCIETY AND CLOSER RELATIONSHIP BETWEEN U.S. AND SAUDI ARABIA. END SUMMARY

2. MANY U.S. MCN'S HAVE BROUGHT NEW TECHNOLOGIES TO SAUDI ARABIA IN PAST FEW YEARS, PARTICULARLY IN PETROLEUM  
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FIELD. ALSO, SOME U.S. COMPANIES HAVE TRAINED SAUDIS IN LATEST BUSINESS PRACTICES, HAVE CONTRIBUTED SUBSTANTIAL AMOUNTS OF MONEY TO THE EXPATRIATE PRIMARY AND SECONDARY SCHOOLS, HAVE OFFERED TRAINING JOBS TO SAUDI COLLEGE STUDENTS IN THE U.S., OR HAVE PROVIDED WIDE RANGE OF JOB OPPORTUNITIES TO SAUDIS. HOWEVER, ARAMCO STANDS OUT AS COMPANY THAT HAS DONE ALL OF THESE THINGS AND A GREAT DEAL MORE.

3. ARAMCO HAS KEPT A RECORD OF ITS DONATIONS, CONTRIBUTIONS AND ASSISTANCE TO SAUDI ARABIA FROM 1933 TO 1970. HOWEVER, ALTHOUGH THE PROGRAMS DETAILED IN ITS 1970 REPORT ARE CONTINUING, NO EFFORT HAS BEEN MADE AS YET TO UPDATE THE RECORD. ARAMCO OFFICIALS HAVE TOLD CONSOFFS THAT IT WOULD TAKE SEVERAL MAN WORKWEEKS TO CARRY THE REPORT THROUGH 1977 AND THAT STAFF IS CURRENTLY UNAVAILABLE FOR THIS TYPE OF PROJECT.

4. THIS ACCOUNT OF ARAMCO'S CORPORATE BEHAVIOR IS THERFORE SOMEWHAT DATED, BUT WE HAVE ADDED COMMENTS TO FIGURES OR PROJECTS WHERE CONSULATE KNOWS OF INCREASED ARAMCO CONTRIBUTIONS TO SAUDI ARABIA.

5. REPORT OF ARAMCO NON-OIL RELATED ASSISTANCE TO PEOPLE AND GOVERNMENT OF SAUDI ARABIA BREAK OUT FOLLOWING MAJOR PROJECTS:

A. MEDICAL - WHEN ARAMCO GEGAN OPERATIONS IN LATE 1930'S IN EASTERN PROVINCE, THERE WERE NO HOSPITALS OR CLINICS IN THE AREA. THUS, ARAMCO PROVIDED HEALTH SERVICES NOT ONLY FOR ITS OWN NEW EMPLOYEES, BOTH SAUDI AND EXPATRIATE, BUT ALSO TO MEMBERS OF GENERAL PUBLIC. FROM 1955 TO 1970, ARAMCO BUILT A FULLY ACCREDITED HOSPITAL AND TWO MODERN CLINICS AND SPENT ABOUT U.S. \$ 11 MILLION PER YEAR ON OPERATING THESE FACILITIES AND ASSOCIATED CLINICS, HEALTH EDUCATION PROGRAMS AND PREVENTIVE MEDICINE EFFORTS.

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WITH INCRASED EMPLOYMENT AT ARAMCO ITSELF DURING PAST FEW YEARS AND THE NEED TO PROVIDE MEDICAL SERVICES FOR A LARGE NUMBER OF SERVICE ORGANIZATIONS TO ARAMCO, THE COMPANY IS BUILDING A NEW TEN-STORY HOSPITAL AND MUCH-EXPANDED DENTAL CLINIC. ARAMCO'S MEDICAL SERVICES NOW CATER TO ABOUT 80,000 EMPLOYEES, SERVICE COMPANIES' WORK FORCES AND DEPENDENTS.

B. EDUCATION - FROM ITS EALIENT BEGINNINGS IN SAUDI ARABIA, ARAMCO EMPLOYED AND TRAINED SAUDI NATIONALS. AT FIRST, TRAINING WAS INFORMAL, BUT BY 1940 SPECIAL TRAINING PROGRAMS WERE ESTABLISHED IN DHAHRAN AND BHARAIN. BY 1950 OVER 4,000 SAUDIS WERE RECEIVING INSTRUCTION IN 144 DIFFERENCT CRAFTS FROM A STAFF OF 250 FULL AND PART-TIME TEACHERS. IN 1950'S ARAMCO SET UP THREE INDUSTRIAL TRAINING CENTERS AND THREE INDUSTRIAL TRAINING SHOPS. BY 1970 ARAMCO HAD SPENT US \$ 23.5 MILLION FOR ITS INDUSTRIAL TRAINING CENTERS AND US \$ 5.7 MILLION FOR THE SHOPS. THE RRRAINING CENTERS HAD 55 CLASSROOMS, CAPCITY OF 1212 STUDENTS AND OFFERED FULL 7 YEAR PROGRAM OF ENGLISH, MATHEMATICS, GENERAL SCIENCE, PHYSICS, CHEMISTRY, ETC. APPRENTICESHIP PROGRAM WAS BEGUN IN 1970 TO TRAIN SAUDI INTERMEDIATE (9TH GRADE) STUDENTS FOR SKILLED TECHNICAL POSITONS.

ARAMCO ALSO SENT HIGH-POTENTIAL SAUDI EMPLOYEES TO U.S., EUROPE AND COUNTRPZSHCOF MIFDLE EAST FOR ADVANCED TRAWFFIUYQE AND PAID TRAVEL AND TUITION COSTS AND UP TO FULL SALARY FOR THOSE EMPLOYEES IN COLLEGE COURSES. FROM 1949 TO 1970, 477 ARAMCO EMPLOYEES HAD BEEN SENT ABROAD.

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IN 1953 ARAMCO GEGAN BUILDING ELEMENTARY SCHOOLS FOR CHILDREN OF EMPLOYEES, AND ALTHOUGH SAG OPERATED THE SCHOOLS, ARAMCO PAID FOR THEIR OPERATION. BY END OF 1970, ARAMCO HAD BUILT 37 ELEMENTARY AND INTERMEDIATE SCHOOLS, WITH TOTAL CAPACITY FOR 7,110 BOYS AND 6,450 GIRLS. (SEPARATE GIRLS SCHOOL CONSTRUCTION WAS BEGAN IN 1961). COST TO ARAMCO UP TO 1970 WAS US \$ 35.4 MILLION.

ARAMCO ALSO GRANTS SCHOLARSHIPS TO SAUDI NATIONALS, NOT EMPLOYEES OF THE COMPANY, AND 60 SUCH SCHOLARSHIPS ARE AVAILABLE.

DONATIONS TO SCHOOLS AND COLLEGES IN THE MIDDLE EAST HAVE BEEN REGULAR PART OF ARAMCO'S EDUCATION PROGRAMS, BUT IN RECENT YEARS EMPHASIS HAS SHIFTED TO SAUDI ARABIA WITH MAJOR DONATIONS TO UNIVERSITY OF PETROLEUM AND MINERALS AND KING ABD AL-AZIZ UNIV. UP TO 1970, THESE DONATIONS TOTALLED US \$ 5.4 MILLION.

ARAMCO HAS TRAINED SAG GOVERNMENT PERSONNEL AT NO COST TO SAG. THESE TRAING COURSES HAVE BEEN IN FIELDS OF MEDICINE, ADMINISTRATION, AND GEOLOGY. ARAMCO HAS MADE SIZEABLE CONTRIBUTIONS TO UNIVERSITY OF PETROLUEM THROUGH GRANTS

(US \$ 11.8))89.), DENATIONS (US \$ 3.5 MILLION), LAND AND BUILDINGS (US \$ 1 MILLION), AND MISCELLANEOUS SERVICES. LIMITED OFFICIAL USE

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IN MID-1970'S ARAMCO BEGAN TRAINING PROGRAM FOR SAUDI GIRLS IN ORDER TO EMPLOY THEM AS SECRETARIES AND TO OFFER ADVANCED TRAINING IN OTHER FIELDS. IN 1977, 60 SAUDI GIRLS WERE IN SECRETARIAL TRAINING.

C. ECONOMIC DEVELOPMENT - EARLY IN ITS OPERATIONS IN SAUDI ARABIA ARAMCO SOUGHT OUT LOCAL ENTREPRENEURS TO GIVE THEM TECHNICAL, MATERIAL AND FINANCIAL ASSISTANCE. BY 1970, 75 LOCAL CONTRACTORS WITH WORK FORCE OF 3,600 PERSONS HAD 175 ACTIVE CONSTRUCTION AND SERVICE CONTRACTS WITH ARAMCO. ANNUAL PAYMENTS TO THESE CONTRACTORS AVERAGED ABOUT US \$ 10 MILLION PER YEAR FROM 1956 TO 1970, OR ABOUT US \$ 156 MILLION IN TOTAL. VALUE OF GOODS AND SERVICES PURCHASED OR RENTED FROM SAUDI BUSINESSMEN FROM 1956 TO 1970 TOTALED ABOUT US \$ 430 MILLION.

IN 1946 ARAMCO ESTABLISHED INDUSTRIAL DEVELOPMENT DIVISION DEVOTED TO TECHNICAL ASSISTANCE TO LOCAL BUSINESSMEN. ARAMCO HELPED TO ESTABLISH PRIVATE POWER COMPANIES THROUGH LOANS, FREE GAS FOR POWER GENERATION AND REBATES ON A PORTION OF SALES PRICE OF CRUDE OIL AND WHITE DIESEL. ARAMCO HAS ALSO ASSISTED LOCAL MANUFACTURERS AND SERVICE INDUSTRIES BY CLOSING ITS OWN FACILITIES AND SHIFTING ITS BUSINESS TO LOCAL ESTABLISHMENTS. ARAMCO GUARANTEED LOANS TO LOCAL ENTREPRENEURS OF ABOUT 7 \$ 9 MILLION FROM 1953 TO 1970 IN SUCH INDUSTRIES AS BUS LINES, LAUNDRIES, FOUNDRIES, BRICK FACTORIES AND HOTELS AND RESTAURANTS.

IN AGRICULTURAL FIELD, ARAMCO HAS PROVIDED TECHNICAL, FINANCIAL AND OTHER MATERIAL ASSISTANCE FOR SAG PROJECTS IN THE KINGDOM. ARAMCO'S AGRICULTURAL ASSISTANCE DIVISION, ESTABLISHED IN 1956 HAS HAD US \$ 2.4 MILLION IN ADMINISTRATIVE COSTS THROUGH 1970.

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IN WATER RESOURCE FIELD, ARAMCO ENGINEERS HAVE ADVISED SAG ON WATER SOURCES AND SUPPLIES AND DRILLED HUNDREDS OF WELLS FOR SAG AND PRIVATE INDIVIDUALS.

D. ROADS - TO FACILITATE ITS OWN OPERATIONS, ARAMCO HAS CONSTRUCTED OVER TWO THOUSAN KILOMETERS OF PAVED AND UNPAVED

ROADS. OVER 1,000 KILOMETERS OF THESE ROADS ARE USED AS PUBLIC HIGHWAYS.

E. COMMUNITY DEVELOPMENT- ARAMCO SPENT OR LOANED OVER US \$ 100 MILLION BETWEEN 1955 AND 1970 TO ASSIST ITS LOCAL EMPLOYEES AND OTHER RESIDENTS OF EASTERN PROVINCE OBTAIN SUITABLE HOUSING, AND TO CONTRIBUTE TO DEVELOPMENT OF EASTERN PROVINCE COMMUNITIES. SOME US \$ 60 MILLION WAS IN FORM OF NO INTEREST LOANS TO ELIGIBLE EMPLOYEES FOR CONSTRUCTION, RENOVATION OR PURCHASE OF HOMES. (ARAMCO ONLY REQUIRES 80 PERCENT OF LOAN TO BE REPAID AND ALSO OFFERS FREE MORTGAGE INSURANCE). ARAMCO HAS ALSO LENT MONEY INTEREST FREE TO MUNICIPALITIES OF DAMMAM, AL-KHOBAR AND RIYADH FOR CONSTRUCTION OF WATER SUPPLY AND SEWAGE SYSTEMS.

F. MISCELLANEOUS ASSISTANCE - THE LIST OF SPECIFIC PROJECTS IN SAUDI ARABIA AND/OR ASSISTANCE TO SAG AND PEOPLE BY ARAMCO IS EXTREMELY LONG. IT INCLUDES LOANS TO GOVERNMENT, CONSTRUCTION OF DEEP-WATER PORT AT DAMMAM, BUILDING 375-MILE RAILROAD, CARRYING OUT FREE AIR, SEA AND LAND RESCUE OPERATIONS, PROVIDING VEHICLES TO SAG, PREPARATION OF GEOGRAPHIC AND GEOLOGIC MAPS, AND FURNISHING A WIDE VARIETY OF TRANSLATION SERVICES.

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IN 1975 SAG ASKED ARAMCO TO EMBARK ON HUGE GAS-GATHERING PROJECT WHICH WILL ULTIMATELY PROVIDE FOR UTILIZATION OF MOST OF NATURAL GAS ASSOCIATED WITH PETROLEUM PRODUCTION. IN 1977 ARAMCO WAS GIVEN MANAGEMENT CONTRACT FOR NEW CONSOLIDATED ELECTRIC COMPANY IN EASTERN PROVINCE WITH GOAL OF TURNING OVER FULLY OPERATION UTILITY COMPANY TO SAUDIS IN 5 YEARS.

6. COMMENT: ALTHOUGH MUCH OF ARAMCO'S GOOD CORPORATE BEHAVIOR IN SAUDI ARABIA SINCE 1933 HAS BEEN DICTATED BY ITS NEED TO PROVIDE SERVICES FOR ITSELF AND ITS EMPLOYEES BECAUSE SUCH SERVICES WERE IN ADEQUATE OR DID NOT EXIST, ARAMCO'S ATTITUDE TO GOVERNMENT AND PEOPLE OF SAUDI ARABIA HAS BEEN ONE OF ENLIGHTENED SELF INTEREST. ARAMCO OFFICIALS EARLY ON RECOGNIZED THAT COMPANY COULD BE GOOD CITIZEN AND OF SERVICE TO HOST COUNTRY AND COMMUNITY BY PROVIDING LARGE NUMBER OF ASSISTANCE PROGRAMS.

HOWEVER, COMMUNITY ASSISTANCE WAS ONLY PART OF COMPANY'S LONG-LASTING ACTIVITIES. ARAMCO TRAINED MANY OF THE SAUDIS WHO ARE NOW IMPORTANT OFFICIALS OF SAG AND SCORES OF INFLUENTIAL SAUDI BUSINESSMEN. IN ADDITION, ARAMCO TRAINED SAUDIS TO TAKE OVER IMPORTANT JOBS IN THE COMPANY WITH RESULT THAT SAUDIS NOW MANAGE ONE OF LARGEST REFINERIES IN THE WORLD AND SERVE AS LIMITED OFFICIAL USE

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VICE PRESIDENTS, INCLUDING THE CRITICAL POSITON OF VICE PRESIDENT, PRODUCING (IN THE WORLD'S LARGEST PRODUCING OIL COMPANY). THIS GOOD CORPORATE CITIZEN ATTITUDE ON PART OF ARAMCO HAS PAID OFF IN HIGH REGARD THAT SAG HAS FOR ARAMCO AND ITS U.S. EMPLOYEES, IN DEVELOPMENT OF TRAINED SAUDIS WHO ARE FAVORABLY DISPOSED TO U.S., AND IN CLOSE TIES BETWEEN U.S. AND SAUDI ARABIA. BUSHNELL

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## Message Attributes

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